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15 November 1966

ECONOMIC INTELLIGENCE COMMITTEE

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MEMORANDUM FOR: Members of the Economic Intelligence Committee

SUBJECT: Department of the Air Force Proposal for Tasking  
EIC Subcommittee with Monitoring the Uses of  
Economic Intelligence in Military Planning  
Documents

1. You will recall that during the course of EIC review of its structure, the Department of the Air Force member proposed a new subcommittee to be charged with monitoring the uses of economic intelligence in planning documents, particularly those concerned with military planning. The objective would be to insure the adequacy of the reporting on the reliability and validity of cost data on foreign military expenditures (particularly those of the USSR) and that the methodology used meets consumer needs.

2. The Chairman, EIC, referred this matter for consideration to the USIB Ad Hoc Working Group on Soviet Military Expenditures for NIPP. The Working Group, presently consisting of representatives from the Departments of State and the Air Force, the Defense Intelligence Agency, the National Security Agency, and the Central Intelligence Agency, have now submitted comments on this proposal.

3. During the review, the group heard reports on how foreign weapon costs and other foreign economic data have been used in defense studies and planning documents. Certain cases were noted where economic intelligence apparently had been used without due regard to its confidence limits or reliability. In a number of these cases the misunderstandings may have resulted from inadequacies in the statements of confidence and reliability. Other cases were noted where the particular analytical technique utilized by consumers is subject to criticism, rather than reflecting the questionable accuracy of the data being used.

4. The Working Group believes that it would be inappropriate for the EIC to attempt to monitor all publications and studies prepared by the DOD or other departments or contractors which utilize economic intelligence. The physical magnitude of the task alone would probably make such an effort impractical. The matter initially addressed by Major General Thomas, USAF, is essentially one of the interface between intelligence and planning within the various departments. Misinterpretations of military economic intelligence in planning are most likely to occur in policy documents that are not

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subject to review by - and are typically not available to - the EIC. Also, because the EIC responsibility lies primarily in the area of economic intelligence, in many instances it would not be the most appropriate body to review these military publications.

5. The Working Group believes that the EIC can be of assistance in reducing misinterpretations of economic intelligence by ensuring that confidence levels and analytical methods be presented in sufficient detail to make the reliability and limitations of the data clear to the user. The Working Group recommends that:

a. the EIC not establish a subcommittee or working group to monitor the uses of economic intelligence reports in military planning or policy documents;

b. the member agencies take appropriate steps to ensure that adequate information concerning limitations of the data and methodology used is given in economic intelligence studies, and

c. any EIC member who believes that economic intelligence has been used without due attention to its limitations in a planning or policy document be encouraged to bring the instance to the attention of the EIC. The EIC, in turn, will take whatever action its membership deems appropriate on an ad hoc basis.

6. Members are requested to review the recommendations set forth in para 5., above, and indicate their comments or concurrence to the EIC Secretariat, Code 143, extension 5021 by close of business 25 November 1966.

7. If the EIC members concur, the Chairman will prepare a response reflecting the views in para 5 to Major General Thomas, USAF.

Chairman

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